Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Thursday 11 January 2024

Morning (Time: 3 hours)

Paper reference **WAC11/01**

Accounting

International Advanced Subsidiary
UNIT 1: The Accounting System and Costing

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Do not return the Source Booklet with the question paper.

Information

- The total mark for this paper is 200.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.
- The source material for use with Questions 1 to 6 is in the enclosed Source Booklet.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer BOTH questions in this section. Write your answers in the spaces provided.

Source material for Question 1 is on pages 2 and 3 of the Source Booklet.

1 (a) Prepare the:

(i) Manufacturing Account for the year ended 31 December 2023

(10)

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(ii) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

(10)

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(iii) Statement of Financial Position at 31 December 2023.

(10)

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(b) Explain the terms:

(i) capital expenditure

(2)

(ii) revenue expenditure.

(2)

(c) State whether the following are **capital expenditure** or **revenue expenditure**:

(2)

- purchase of new machinery

- installation of new machinery.

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(d) Calculate the production cost of recycling **one ton** of plastic waste using the **existing machinery** and **one ton** of plastic waste using the **new machinery**.

(7)

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(e) Evaluate whether Cachi should invest in the new machinery.

(12)

(Total for Question 1 = 55 marks)

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Source material for Question 2 is on pages 4 and 5 of the Source Booklet.

2 (a) Prepare the trial balance of Naag from the list of balances at 31 December 2023.

(11)

Naag
Trial Balance at 31 December 2023

	Dr	**Cr**
	£	**£**
Revenue		
Purchases		
Inventory – 1 January 2023		
Discount allowed		
Discount received		
General expenses		
Rent payable		
Rent receivable		
Non-current assets – at cost		
Non-current assets – provision for depreciation		
Capital		
Drawings		
5% bank loan (repayable 2026)		
Bank overdraft		
Trade payables		
Trade receivables		
Irrecoverable debts		
Allowance for irrecoverable debts		

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(b) Name the type of error in (1) to (3).

(3)

1 .....

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2 .....

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3 .....

.....

(c) Explain the terms:

(i) an error of reversal

(2)

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.....

(ii) a compensating error.

(2)

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(d) Prepare the journal entries to correct errors (1) to (6). Narratives are **not** required.

(13)

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(e) Complete the table showing the effect on the draft profit of **each** of the items incorrectly recorded.

(12)

Statement of Correction of Draft Profit

	£	£	£
Draft profit			4 320
Corrections	**Increase in draft profit**	**Decrease in draft profit**	
(1) Inventory			
(2) General expenses			
(3) Bank loan interest			
(4) Rent payable			
(5) Depreciation			
(6) Allowance for irrecoverable debts			

Workings

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A work colleague has said that if Naag uses information communication technology (ICT) to prepare the books of account there will be no errors in the books.

(f) Evaluate the use of information communication technology (ICT) in removing all errors.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

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SECTION B

Answer THREE questions from this section. Write your answers in the spaces provided.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

If you answer Question 3 put a cross in the box ☐ .

Source material for Question 3 is on pages 6 and 7 of the Source Booklet.

3 (a) State **two** reasons why a business needs to manage the value of its trade receivables.

(2)

1 .....

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2 .....

.....

(b) Explain **how** a business should manage the value of its trade receivables.

(2)

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(c) Calculate for **each** of the years 2022 and 2023, correct to **two** decimal places, the:

(i) gross profit as a percentage of revenue

(4)

(ii) rate of inventory turnover

(4)

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(iii) trade receivables collection period (in days)

(4)

(iv) liquid (acid test) ratio.

(4)

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(d) State **four** possible reasons why Aaheli's bank balance has **decreased** in 2023 and she is having difficulty paying her trade payables.

(4)

1 .....

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2 .....

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3 .....

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4 .....

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(e) Evaluate the performance of Aaheli's business in 2023.

(6)

(Total for Question 3 = 30 marks)

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If you answer Question 4 put a cross in the box ☒ .

Source material for Question 4 is on pages 8 and 9 of the Source Booklet.

4 (a) Explain the terms:

(i) perpetual inventory

(2)

(ii) periodic inventory

(2)

(iii) allocation of overheads

(2)

(iv) apportionment of overheads.

(2)

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(b) Prepare a quotation for Job 652 showing the price to be charged to the customer for 300 shirts. The quotation should clearly show the totals for the:

- raw material cost
- labour cost
- overhead cost
- quotation price.

(16)

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Alex is considering changing the remuneration method for workers in the cutting and machining department from **day work rate** to **piecework**.

(c) Evaluate the use of piecework as a method of remuneration for the cutting and machining department.

(6)

(Total for Question 4 = 30 marks)

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If you answer Question 5 put a cross in the box ☒ .

Source material for Question 5 is on pages 10 and 11 of the Source Booklet.

5 (a) Explain how the following accounting concepts would be used when preparing financial statements:

(i) prudence

(2)

(ii) consistency.

(2)

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(b) Prepare the following ledger accounts for the year ended 31 December 2023.

Each account should include the transfer to the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023.

(i) Electricity Account

(5)

(ii) Advertising Account

(5)

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(iii) Rent Receivable Account

(5)

(iv) Provision for depreciation – Motor Vehicles Account.

(5)

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(c) Evaluate the usefulness of using the accruals concept when preparing the financial statements of a business.

(6)

(Total for Question 5 = 30 marks)

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If you answer Question 6 put a cross in the box ☒ .

Source material for Question 6 is on pages 12 and 13 of the Source Booklet.

6 (a) Calculate the value of the cash stolen in the theft of 3 December 2023.

(4)

(b) Calculate the value of the inventory stolen in the theft of 3 December 2023.

(7)

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(c) (i) Prepare the Trade Payables Ledger Control Account to establish the amount owed by Cabe to his trade payables on 3 December 2023.

(6)

(ii) Calculate whether Cabe will be able to replace his inventory within the credit limit provided by his suppliers of a maximum of £15 000

(3)

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(d) Explain the role of accounting information in supporting a business.

(4)

Cabe is considering using only credit sales and no cash sales for goods sold in the future.

(e) Evaluate the use of only credit sales for goods sold in the future.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

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Pearson Edexcel International Advanced Level

Thursday 11 January 2024

Morning (Time: 3 hours)

Paper reference **WAC11/01**

Accounting

International Advanced Subsidiary

UNIT 1: The Accounting System and Costing

Source Booklet

Do not return this Source Booklet with the question paper.

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SECTION A

Answer BOTH questions in this section.

1 Cachi is in business recycling plastic waste.
Plastic waste is sorted and recycled into finished goods using specialist machinery.

The following balances were in the books of account at 31 December 2023.

	£
Non-current assets (cost)	
Office premises	125 000
Machinery	85 000
Fixtures and fittings	36 000
Provisions for depreciation	
Office premises	66 500
Machinery	34 000
Fixtures and fittings	25 200
Production wages	75 000
Production salaries	40 000
Office salaries	31 000
Drawings	20 000
Inventory 1 January 2023 – plastic waste	2 500
finished goods	9 500
Purchases of plastic waste	25 000
Trade receivables	33 850
Trade payables	21 800
Cash and bank	6 150
Indirect production expenses	9 500
Electricity and water	19 500
Marketing costs	12 300
Allowance for irrecoverable debts	1 500
Administration expenses	18 700
Capital	100 000
Revenue	300 000

Additional information at 31 December 2023.

(1) Inventory – plastic waste £5 000
finished goods £7 500

(2) There was no work in progress at the beginning or the end of the year.

(3) Finished goods are transferred from manufacturing at cost of production.

(4) £16 000 of the electricity and water cost related to the production process.

(5) Marketing costs, £1 300, were prepaid.

(6) Administration expenses, £4 100, were accrued.

(7) Depreciation is to be charged on all non-current assets owned at the end of the year using the straight-line method at the rates of
office premises 2% per annum
machinery 20% per annum
fixtures and fittings 10% per annum.

Required

(a) Prepare the:

(i) Manufacturing Account for the year ended 31 December 2023

(10)

(ii) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

(10)

(iii) Statement of Financial Position at 31 December 2023.

(10)

(b) Explain the terms:

(i) capital expenditure

(2)

(ii) revenue expenditure.

(2)

(c) State whether the following are **capital expenditure** or **revenue expenditure**:

- purchase of new machinery
- installation of new machinery.

(2)

Cachi is considering the purchase of new machinery which will increase the quantity of plastic waste that he can process. The information relating to the existing machinery and the new machinery is as follows.

	Existing machinery	**New machinery**
Cost of machinery	£85 000	£125 000
Residual value	Nil	£5 000
Useful economic life	5 years	8 years
Output per year	500 tons	800 tons
Production wages	£75 000 per year	**See note 2 below**
Other costs (excluding depreciation)	£65 500 per year	**See note 3 below**

Notes

(1) Cost of purchasing plastic waste will remain at £45 per ton.
(2) Production wages: the existing machinery requires a team of six workers. The new machinery would require a team of eight workers each paid at the same rate.
(3) Other costs (excluding depreciation) contain a fixed cost of £50 000, remaining costs are variable.
(4) All finished goods can be sold as there is a market shortage of recycled plastic.

Required

(d) Calculate the production cost of recycling **one ton** of plastic waste using the **existing machinery** and **one ton** of plastic waste using the **new machinery**.

(7)

(e) Evaluate whether Cachi should invest in the new machinery.

(12)

(Total for Question 1 = 55 marks)

2 The bookkeeper of Naag provided the following list of balances at 31 December 2023.

Naag is aware that there are errors in the books of account that could affect the balancing of the trial balance.

	£
Revenue	156 720
Purchases	110 000
Inventory – 1 January 2023	9 600
Discount allowed	750
Discount received	420
General expenses	32 450
Rent payable	18 500
Rent receivable	3 900
Non-current assets – cost	40 000
Non-current assets – provision for depreciation	10 000
Capital	40 000
Drawings	17 000
5% bank loan (repayable 2026)	20 000
Bank overdraft	4 080
Trade payables	7 850
Trade receivables	14 600
Irrecoverable debts	955
Allowance for irrecoverable debts	800

Required

(a) Prepare the trial balance of Naag from the list of balances at 31 December 2023.

(11)

On inspecting the books of account, the following errors were found.

(1) Naag had taken goods valued at £120 for his own use. No entries had been made in the books.
(2) A credit sale to Jones was correctly recorded in the Book of Prime Entry as £560 but had been posted to the Ledger as £650
(3) The receipt of an £820 payment from a credit customer, Maxey, had been posted to the account of Milner.
(4) Discount received, £70, had been correctly entered in the Cash Book but had been posted to the debit side of the Discount Received Account.
(5) A credit customer, J Baahir, had become bankrupt owing a debt of £1 100 to Naag. A cheque for £630 had been received in final settlement. No entries had been recorded in the books.
(6) A payment of general expenses, £55, had been correctly posted to the bank account but no other entry had been made.

Required

(b) Name the type of error in (1) to (3).

(3)

(c) Explain the terms:

(i) an error of reversal

(2)

(ii) a compensating error.

(2)

(d) Prepare the journal entries to correct errors (1) to (6).

Narratives are **not** required.

(13)

After the correction of the errors the bookkeeper of Naag then prepared draft financial statements showing a profit for the year of £4 320

In preparing the draft financial statements the following items were incorrectly recorded.

(1) The inventory count at 31 December 2023 included £5 600 of goods recorded at selling price instead of cost price. Naag uses a mark-up on cost of 40%.

(2) No adjustment had been made for general expenses. General expenses of £480 had been paid in advance and £640 was still owing.

(3) A full year's interest on the 5% bank loan (repayable in 2026) had been incorrectly calculated at £1 200

(4) Rent payable had been recorded as income of £550

(5) The depreciation on non-current assets had been calculated at the rate of 20% per annum using the straight-line method. This should have been calculated at 20% per annum using the reducing balance method.

(6) The allowance of irrecoverable debts had not been adjusted to 5% of trade receivables.

Required

(e) Complete the table in the Question Paper showing the effect on the draft profit of **each** of the items incorrectly recorded.

(12)

A work colleague has said that if Naag uses information communication technology (ICT) to prepare the books of account there will be no errors in the books.

(f) Evaluate the use of information communication technology (ICT) in removing all errors.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Answer THREE questions from this section.

3 Aaheli is in business buying and selling goods on credit. In the year ended 31 December 2023 she increased her sales but is now having difficulty paying her trade payables. The bank refuses to extend her overdraft or provide a further loan.

The following information relates to the last two trading years ended 31 December 2022 and 31 December 2023.

	2022	2023
	£	**£**
Revenue	500 000	900 000
Cost of sales	300 000	675 000
Expenses	180 000	190 000
Profit for the year	20 000	35 000
Non-current assets	75 000	100 000
Inventory	55 000	70 000
Trade payables	25 000	85 000
Trade receivables	60 000	120 000
Non-current liabilities	50 000	40 000
Closing capital	125 000	135 000
Bank	10 000	30 000 Cr

Additional information

(1) Inventory at 1 January 2022 was £50 000
(2) All sales and purchases of goods are on credit.

Required

(a) State **two** reasons why a business needs to manage the value of its trade receivables.

(2)

(b) Explain **how** a business should manage the value of its trade receivables.

(2)

(c) Calculate for **each** of the years 2022 and 2023, correct to **two** decimal places, the:

(i) gross profit as a percentage of revenue

(4)

(ii) rate of inventory turnover

(4)

(iii) trade receivables collection period (in days)

(4)

(iv) liquid (acid test) ratio.

(4)

(d) State **four** possible reasons why Aaheli's bank balance has **decreased** in 2023 and she is having difficulty paying her trade payables.

(4)

(e) Evaluate the performance of Aaheli's business in 2023.

(6)

(Total for Question 3 = 30 marks)

4 Alex is in business manufacturing shirts for customers. He uses job costing when preparing quotations.

A customer has requested a quotation on the 20 December 2023 for the manufacture of 300 shirts that have been given the job number 652.

The following information is available for Job 652:

(1) Raw material for one shirt will be 1.5 metres of cloth material. The following were the inventory movements for the cloth material.

1 August	Opening balance	400 metres at £5 per metre
23 August	Issued	150 metres
26 September	Receipts	350 metres at £6 per metre
17 October	Issued	300 metres
27 November	Receipts	400 metres at £6.50 per metre
15 December	Issued	150 metres

Alex uses the **perpetual inventory**, First In First Out (FIFO) method when valuing inventory.

Alex will also purchase buttons, thread and packaging at a cost of £30.00 per 100 shirts.

(2) Direct labour costs will be:

Department	**Production Time for Job 652**	**Wage Rate £ per hour**
Cutting and machining	10 minutes per shirt	9
Finishing and packaging	6 minutes per shirt	7

(3) Overheads are charged to jobs on an hour rate basis.

Department	**Annual overhead cost £**	**Annual machine hours**	**Annual labour hours**	**Recovery basis**
Cutting and machining	80 000	10 000	–	Machine hours
Finishing and packaging	36 000	–	6 000	Labour hours

(4) A mark-up of 20% on cost is added to the manufacturing cost of all jobs undertaken.

Required

(a) Explain the terms:

(i) perpetual inventory

(2)

(ii) periodic inventory

(2)

(iii) allocation of overheads

(2)

(iv) apportionment of overheads.

(2)

(b) Prepare a quotation for Job 652 showing the price to be charged to the customer for 300 shirts. The quotation should clearly show the totals for the:

- raw material cost
- labour cost
- overhead cost
- quotation price.

(16)

Alex is considering changing the remuneration method for workers in the cutting and machining department from **day work rate** to **piecework**.

(c) Evaluate the use of piecework as a method of remuneration for the cutting and machining department.

(6)

(Total for Question 4 = 30 marks)

5 The following information is available from the books of account of Jacinda at 31 December 2023.

(1) On 1 January 2023 the following account balances were in the books of account.

	£	
Electricity Account	400	Owed by Jacinda
Advertising Account	1 200	Owed by Jacinda
Rent Receivable Account	250	Owed to Jacinda for three months' rent
Motor Vehicles Account	220 000	
Provision for Depreciation Account		
Motor Vehicles	50 000	

(2) Electricity Account

Cheque payments
30 March Paid balance of 1 January 2023 by cheque and was allowed a cash discount of 3%
4 October Paid electricity, £900, by cheque

Refund
13 November £15 by cheque

On 31 December 2023 it was estimated that £350 was owed by Jacinda for electricity.

(3) Advertising Account

Cheque payments

3 January	Paid £1 200 general advertising expenses
3 March	Paid £1 600 for advertising brochures
1 October	Paid £3 500 for an advertising campaign to run from 1 October 2023 to 31 March 2024

(4) Rent Receivable Account

Cheques received for Jacinda renting her property

9 January	£500 for six months' rent
26 June	£500 for six months' rent
4 December	£500 for six months' rent to 31 March 2024

(5) During the year ended 31 December 2023 the disposals and purchases of motor vehicles were:

Disposals Motor vehicles costing £70 000 and with a carrying value of £42 000 were sold

Purchases New motor vehicles were purchased at a cost of £80 000

Jacinda depreciates motor vehicles owned on the last day of the financial year at the rate of 20% using the straight-line method.

Required

(a) Explain how the following accounting concepts would be used when preparing financial statements:

(i) prudence

(2)

(ii) consistency.

(2)

(b) Prepare the following ledger accounts for the year ended 31 December 2023.

Each account should include the transfer to the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023.

(i) Electricity Account

(5)

(ii) Advertising Account

(5)

(iii) Rent Receivable Account

(5)

(iv) Provision for depreciation – Motor Vehicles Account

(5)

(c) Evaluate the usefulness of using the accruals concept when preparing the financial statements of a business.

(6)

(Total for Question 5 = 30 marks)

6 Cabe is in business retailing clothing from a shop at a sports club. On 3 December 2023 the shop was broken into and there was a theft of all of the cash and some of the inventory.

Cabe provided the following information about the cash.

Cash balance was £825 at 1 November 2023.
Cash sales were £9 130 between 1 November and 3 December 2023.
Cash banked £8 500 between 1 November and 3 December 2023.
Expenses paid in cash £735 between 1 November and 3 December 2023.
Cash remaining £ Nil at 3 December 2023.

Required

(a) Calculate the value of the cash stolen in the theft of 3 December 2023.

(4)

Cabe provided the following information about the inventory.

Sales from 1 November to 3 December 2023
Credit £5 870
Cash £9 130

Opening inventory 1 November 2023 £12 400

Inventory remaining after the theft on 3 December 2023 £1 730
Credit purchases from 1 November to 3 December 2023 £8 700
Cabe uses a 'mark-up' of 50%

Required

(b) Calculate the value of the inventory stolen in the theft of 3 December 2023.

(7)

Cabe must now replace the stolen inventory to enable him to continue in business. He must purchase the replacement inventory on credit and to enable him to do this his suppliers have extended his total credit to a maximum of £15 000

To establish the current amount owing on credit he compiled a Trade Payables Ledger Control Account from the following information.

Trade payables balance 1 November 2023 £5 100

Balances at 3 December 2023	
Bank payments	£7 850
Credit purchases	£8 700
Interest charged by supplier	£60
Discount received	£150
Contra – trade receivables	£230

Required

(c) (i) Prepare the Trade Payables Ledger Control Account to establish the amount owed by Cabe to his trade payables on 3 December 2023.

(6)

(ii) Calculate whether Cabe will be able to replace his inventory within the credit limit provided by his suppliers of a maximum of £15 000

(3)

(d) Explain the role of accounting information in supporting a business.

(4)

Cabe is considering using only credit sales and no cash sales for goods sold in the future.

(e) Evaluate using only credit sales for goods sold in the future.

(6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS

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